

**Audit & Finance Standing Committee  
March 20, 2013**

**TO:** Chair and Members of Audit & Finance Standing Committee

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Director of Finance and ICT/CFO

**DATE:** March 8, 2013

**SUBJECT:** Audit of Financial Statements – Sackville Sports Stadium

**ORIGIN**

This report is originated by Staff in preparation for the year end Audit of financial statements of HRM and the Sackville Sports Stadium (“the Stadium”).

**LEGISLATIVE AUTHORITY**

Section 46 of the Halifax Regional Municipality Charter outlines the responsibilities of the Municipal Auditor including the issuance of an Auditor’s Report.

**RECOMMENDATION**

It is recommended that the Committee:

1. approve the attached planning report for the Audit of HRM’s financial statements as prepared by KPMG;
2. approve the elimination of the Audit of the financial statements for the Sackville Sports Stadium; and,

3. approve the attached planning report for the Review of the financial statements for the Sackville Sports Stadium as prepared by KPMG.

### **BACKGROUND**

Historically, a separate audit of the financial statements of the Stadium was conducted and the financial results of the Stadium were added into HRM's consolidated financial statements as part of the consolidation process. Commencing with fiscal year 11/12, the financial results of the Stadium have been included in HRM's Operating results. As a result, the need for a separate audit of the Stadium's results for fiscal year ended March 31, 2012/13 was investigated.

### **DISCUSSION**

Every year, the auditors for the Stadium and the HRM are required to present their planning reports for the upcoming audit.

The report for the HRM is attached for your review.

For the Stadium, their financial results have been included in the Operating results of the HRM and therefore do not require a separate audit. However, the Stadium's financial institution has requested that the Stadium prepare separate financial statements and that the financial statements be reviewed by a Chartered Accounting firm.

KPMG has provided an estimate of the fees for the Review Engagement of approximately \$6,500. This is significantly less than the \$12,300 it would cost to do an Audit Engagement.

### **FINANCIAL IMPLICATIONS**

The change to a Review Engagement will save HRM approximately \$6,000.

### **COMMUNITY ENGAGEMENT**

N/A

### **ENVIRONMENTAL IMPLICATIONS**

N/A

**ALTERNATIVES**

The Committee could require an audit of the financial statements of the Sackville Sports Stadium. This is not recommended as it would result in higher costs with no additional benefits.

The Committee could decide not to have separate financial statements prepared and reviewed by a Chartered Accounting firm. However, this review has been requested by the Stadium's financial institution and it is considered a reasonable request.

**ATTACHMENTS**

1. Halifax Regional Municipality Audit Planning Report
2. Sackville Sports Stadium Review Engagement Report

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A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/cc.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Louis de Montbrun, Manager, Financial Reporting, 490-7222

Original Signed

Report/Financial Approval by: \_\_\_\_\_  
Greg Keefe, Director of Finance and Information Technology/CFO, 490-6308

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AUDIT

# Halifax Regional Municipality

**Audit Planning Report**

For the year ending March 31, 2013

For the Audit and Finance Standing Committee meeting  
presented March 2013

**KPMG LLP**, Chartered Accountants

[kpmg.ca](http://kpmg.ca)

Dear Audit and Finance Standing Committee Members,

Audit planning is the cornerstone of an effective, efficient and high quality audit. In developing our audit plan, we have worked with management to obtain a common understanding of the issues and related financial reporting risks facing the Halifax Regional Municipality and have designed our audit to focus on those areas of risk.

As members of the Audit and Finance Standing Committee, you have a significant role to play in the oversight of our audit and we welcome any and all observations you may have regarding the decisions reflected in this audit plan.

### **Issues to focus during the current year**

In addition to staying on top of accounting matters and complex regulatory, and in light of the challenges of ongoing economic uncertainty and volatility, we urge you to stay focused on the top priority for audit committees: financial reporting and internal control risk. Also, consider whether the financial statements and disclosures are telling the whole story, and whether disclosures can be improved to better address investor expectations. We would be pleased to discuss current issues affecting the role of the Audit and Finance Standing Committee with you at your convenience.

### ***Audit quality***

Audit quality is receiving an increased level of scrutiny around the world. Audit quality is at the core of everything we do at KPMG, and we believe that it is not just about providing the right audit opinion, but also the steps we take to provide that audit opinion. One component of our efforts in this area is the development and implementation of the KPMG Audit Quality Framework to help ensure that every partner and professional concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent audit opinion. We invite you to review “KPMG’s Audit Quality Framework”, summarized in the appendices of this report.

We believe this audit plan embodies our commitment to audit quality.

### ***Reaching out to audit committees***

KPMG's Audit Committee Institute (ACI) provides information, resources, and knowledge-sharing opportunities to help audit committees and directors strengthen the integrity of their financial reporting process and the quality of their corporate governance practices. The ACI's Audit Committee Roundtables are held across the country twice yearly. You are cordially invited to attend. For information on ACI's audit committee resources and roundtable registration, please visit [www.kpmg.ca/auditcommittee](http://www.kpmg.ca/auditcommittee).

We sincerely hope this Audit Planning Report is of assistance to you, and we look forward to discussing it in detail and answering any questions you may have at the upcoming Audit and Finance Standing Committee meeting.

Yours sincerely,

**Original Signed**

Carey Blair, CA

Partner - Audit



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## Audit plan

We have prepared this audit plan to inform you of the planned scope and timing of the audit for the purpose<sup>1</sup> of carrying out and discharging your responsibilities and exercising oversight over our audit of the consolidated financial statements.

### What has changed from last year

We have set out below a summary of changes that have been taken into consideration in planning the audit for the current period:

#### Your organization

- During the year we have not noted any major changes the Municipality has experienced that would impact the financial statements.

#### Regulatory environment

- No new regulatory or auditing standards were identified that would impact the financial statements of the Municipality for fiscal 2013.

#### Accounting standards

- As noted in the prior year planning report, the accounting standards framework for Boards and Commissions which are primarily designated as Government Not for Profits will be changing to Public Sector Accounting (PSAB) framework with or without supplementary standards unique to not for profit organizations. Conversion is required for the March 2013 year end. These entities are included in the consolidated financial statements.
- Refer to the appendices for further discussion on this matter.

### Annual inquiries related to risks of fraud:

Professional standards require that we ask you questions in connection with your oversight of management's process for identifying and responding to the risks of fraud:

- What are your views about fraud risks in the entity?
- How do you provide effective oversight of programs and controls to prevent, detect and deter fraud, including oversight over internal controls management has established to mitigate fraud risks?
- Are you aware of, or have you identified any instances of, actual, suspected or alleged fraud, including misconduct or unethical behaviour related to financial reporting or misappropriation of assets? If so, have the instances been appropriately addressed and how have they been addressed?

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<sup>1</sup> This Audit Planning Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Planning Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.



## Scope of the audit

The purpose of an audit is to enhance the degree of confidence of the users of the financial statements through the expression of an opinion on whether the financial statements fairly present, in all material respects, the financial position, results of operations, change in net financial assets and cash flows of the Municipality in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

In planning our audit, we have considered the level of audit work required to support our opinion, including each of the following matters:

### Our responsibilities

- Our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter included in the appendices to this report.

### Materiality

- We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements.
- For the current period, materiality of \$11,850,000 (2012-\$7,300,000) has been determined, based on 1.5% of budgeted consolidated revenue as at March 31, 2013. In the prior year, the basis for the calculation of materiality was based on 1% of budgeted consolidated revenue.
- We will reassess materiality at period-end to confirm whether it remains appropriate for evaluating the effects of uncorrected misstatements on the financial statements.
- We will communicate uncorrected misstatements to you, other than those that are clearly trivial.
- Should uncorrected misstatements remain, in accordance with professional standards, we will:
  - request of management and of the audit committee that all uncorrected misstatements be corrected.
  - communicate the effect that uncorrected misstatements, individually or in aggregate, may have on our audit opinion.

**Subsidiaries and equity method investees (“components”) in consolidated financial statements**

The group engagement team shall communicate an overview of the type of work to be performed on the financial information of the components. The group engagement team shall also communicate the nature of the group engagement team's planned involvement in the work to be performed by the component auditors on the financial information of significant components.

Professional standards require that we obtain an understanding of the Municipality’s organizational structure, including its components, and their environments that is sufficient to identify those components that are financially significant or that contain specific risks that must be addressed during our audit. Where component auditors will perform work on the financial information of such components, we are required to evaluate whether we, as group auditors, will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence.

As group auditors, the basis for servicing as group auditor is premised on the ability to obtain sufficient appropriate audit evidence regarding component financial information. The components upon which we will plan to perform audit procedures are listed below:

**Significant components**

<b>Agencies, Boards and Commissions, and subsidiaries</b>
<b>Involvement of other auditors/KPMG member firms (“component auditor”)</b>
<p>Non-KPMG auditor:</p> <ul style="list-style-type: none"> <li>• Halifax Regional Water Commission (Grant Thornton)</li> </ul>
<b>Type of work to be performed on component financial information by the component auditor</b>
<p>For the component audit where KPMG is not the auditor, KPMG is required to consider the environment within which the component auditor operates in and the consistency or similarity of factors concerning each component auditor such as:</p> <ul style="list-style-type: none"> <li>• Laws and regulations</li> <li>• Professional oversight, discipline and external quality assurance</li> <li>• Education and training, and</li> <li>• Professional organizations and standards</li> </ul> <p>This information may be requested in the group audit instructions, which will be sent to each auditor of a significant component.</p> <p>In addition to the above noted procedures, KPMG will also be required to define a component materiality which will be communicated to the applicable component auditors to ensure their work is done to the Municipality’s overall audit materiality.</p> <p>For the purpose of the group audit, KPMG will provide a set of Group Audit Instructions to the non-KPMG auditor to ensure (a) that there were no matters that resulted or could have resulted in a modification to the Municipality’s consolidated audit report, and (b) that sufficient appropriate audit evidence was obtained to form the consolidated audit opinion on the Municipality.</p>

## Other components

### Agencies, Boards and Commissions, and subsidiaries

KPMG audits:

- Halifax Regional Library
- Dartmouth Sportsplex Community Association
- Halifax Forum Community Association
- Halifax Regional Municipality Centennial Arena Commission
- BMO Centre
- Canada Games Centre
- St. Margaret's Community Centre Association

KPMG reviews:

- Sackville Sports Stadium

Non-KPMG auditor:

- Halifax Metro Centre
- Centennial Pool Association
- Community Builders Inc. (Cole Harbour Place)
- Alderney Landing Association
- Downtown Halifax Business Commission
- Downtown Dartmouth Business Commission
- Spring Garden Area Business Association
- Quinpool Road Main Street District Association Limited
- Main Street Dartmouth and Area Business Improvement Association
- Spryfield & District Business Commission
- Sackville Business Association

### Type of work to be performed by group auditor

Also included in the consolidated financial statements of the Municipality are the accounts of non-significant components. The standards dictate that a review needs to be performed of the financial information of these non-significant components. This review consists of making inquiries and applying analytical and other review procedures as this will bring significant matters to our attention.

Not included in the above list of Boards and Commissions that have been considered clearly trivial (usually total assets, or revenues of less than \$600,000).

## Financial reporting risks

As part of our audit planning, we identify significant financial reporting risks that, by their nature, require special audit consideration. By focusing on these risks, we are able to target our procedures and deliver a high quality audit that is both efficient and effective.

The financial reporting risks identified during our audit planning are listed below:

<b>Presumed risk of management override of control</b>
Risk of fraud
<b>Summary of response to the presumed risk of management override of controls</b>
Professional standards require certain procedures to be performed to address the presumed risk of management override of controls. We plan on performing these required procedures
<b>Presumed fraud - Revenue</b>
Existence and accuracy of revenue
<b>Summary of response to financial statement level risks</b>
Audit approach  -Test review and approval of journal entries made outside the normal course of business -Perform substantive test of details over revenue accounts -Perform a retrospective review of estimates and evaluating the business rationale of significant unusual transactions

<b>Tangible capital assets</b>
<b>Risk of misstatement</b>
Classification of expenditures between capital and operating
<b>Summary of planned audit approach</b>
Audit approach  - Review monitoring controls over budgeted capital expenditures as compared to actual costs - Vouch a sample of capitalized amounts to supporting documentation

## Fees and assumptions

In determining the fees for our services, we have considered the nature, extent and timing of our planned audit procedures as described above. Our fee analysis has been reviewed and agreed upon by management.

Our fees are estimated as follows:

	2013 Budgeted	2012 Actual
Halifax Regional Municipality audit: <ul style="list-style-type: none"> <li>• Consolidated financial statements</li> <li>• General rate surplus</li> <li>• Miscellaneous trusts</li> </ul>	\$73,500	\$105,222
Gas tax revenue audit	\$3,400	\$3,400
Additional audit related fees	-	\$2,500
Total audit fees	\$76,900	\$111,122

These fees are based on the assumptions described in the engagement letter in the appendices to this report.

## Timing of the audit

We have discussed the key audit deliverables with management and the expected dates indicated below have been agreed upon:

Key deliverables and expected dates	
Deliverables	Expected date(s)
Presentation of the Audit Planning Report to the Audit Committee	March 2013
Conduct interim audit field work	March 18 <sup>th</sup> -28 <sup>th</sup> 2013
Conduct year-end audit field work	May 6 - June 7, 2013
Present the Audit Findings Report, including our Independence Letter and Management Letter, to the Audit Committee	June 2013
Release audit opinion on financial statements	June 2013

## Service team and multidisciplinary resources

We will continue to make every effort to meet your needs and exceed expectations by:

- utilizing professionals who understand the key issues being addressed by management
- keeping pace with changes in the industry and the Municipality
- anticipating issues and adequately planning all aspects of our service
- being available and responsive

Service team and multidisciplinary resources	
Service team	Contact information
Carey Blair, CA Lead Audit Engagement Partner	Telephone: 902-492-6029 Email: <a href="mailto:cblair@kpmg.ca">cblair@kpmg.ca</a>
Douglas Reid, FCA Client Relationship Partner	Telephone: 902-492-6013 Email: <a href="mailto:dougreid@kpmg.ca">dougreid@kpmg.ca</a>
Jamie O'Neil, CA Engagement Quality Control Review, Partner	Telephone: 902-492-6076 Email: <a href="mailto:joneil@kpmg.ca">joneil@kpmg.ca</a>
Kristina King, CA Lead Audit Manager	Telephone: 902-492-6066 Email: <a href="mailto:kking@kpmg.ca">kking@kpmg.ca</a>
Multidisciplinary team	Contact information
Matthew Betik, CA PSAB Resource Partner	Telephone: 519-747-8245 Email: <a href="mailto:mbetik@kpmg.ca">mbetik@kpmg.ca</a>

## **Performance improvement observations**

During the course of our audit, we may become aware of opportunities for improvements in financial or operational processes or controls. We will discuss any such opportunities with management and provide our recommendations for performance improvement. We will also include a synopsis of these issues and our recommendations in our Audit Findings Report to be delivered to you at the completion of the audit.



## Appendices

**KPMG's Audit Quality Framework**

**Other current developments**

**Engagement letter**



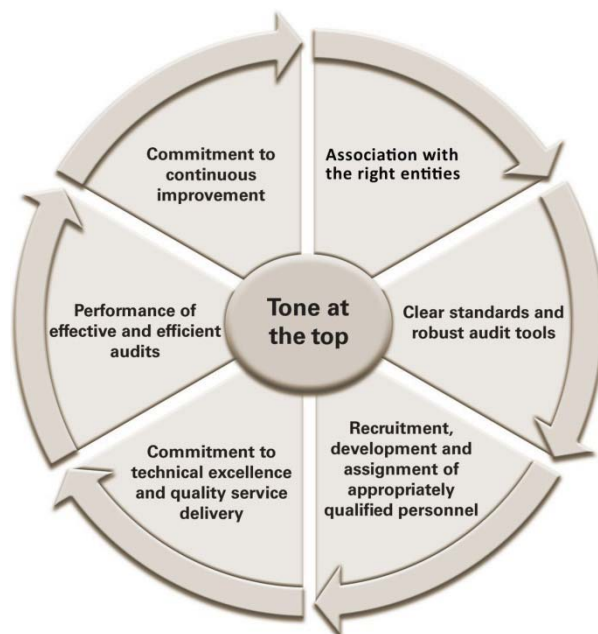
# KPMG's Audit Quality Framework

Audit quality, and the respective roles of the auditor and audit committee, is fundamental to the integrity of financial reporting in our capital markets.

This is why audit quality is at the core of everything we do at KPMG. And we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To help ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

The framework comprises seven key drivers of audit quality.



## The seven key drivers of audit quality

Driver	What it does	What it means to you
<b>Tone at the top</b>	<p><b>Audit quality is part of our culture and our values and therefore non-negotiable</b></p> <p>Allows the right behaviours to permeate across our entire organization and each of our engagements</p>	<p><b>Assures you that:</b></p> <ul style="list-style-type: none"> <li>• Our culture supports our promise to you of excellent service and a high quality audit—consistently</li> <li>• You're receiving an independent, transparent, audit opinion</li> <li>• You're receiving an efficient and high quality audit that will help you maintain investor confidence in your financial statements</li> </ul> <p><b>Provides you with:</b></p> <ul style="list-style-type: none"> <li>• An engagement team handpicked for your business needs – a team with relevant professional and industry experience</li> <li>• An audit engagement team whose qualifications evolve as your business grows and changes</li> <li>• An audit opinion that</li> </ul>
<b>Association with the right entities</b>	<p><b>Ethics above all</b></p> <p>Eliminates any potential independence and conflict-of-interest issues</p>	
<b>Clear standards and robust audit tools</b>	<p><b>A solid rule book</b></p> <p>Rigorous internal policies and guidance that help ensure our work meets applicable professional standards, regulatory requirements, and KPMG's standards of quality</p>	
<b>Recruitment, development and assignment of appropriately qualified personnel</b>	<p><b>People who add value</b></p> <p>Helps us attract and retain the best people and reinforces the importance of developing their talents</p> <p>Assigns Partners' portfolios based on their specific skill sets</p>	

Driver	What it does	What it means to you
<p><b>Commitment to technical excellence and quality service delivery</b></p>	<p><b>The right tools for the right job</b></p> <p>Promotes technical excellence and quality service delivery through training and accreditation, developing business understanding and industry knowledge, investment in technical support, development of specialist networks, and effective consultation processes</p>	<p>continues to meet your needs as a participant in the capital markets</p> <p><b>Assists you with:</b></p> <ul style="list-style-type: none"> <li>• Assessing the effectiveness and efficiency of the audit</li> <li>• Performing your governance role with confidence</li> </ul>
<p><b>Performance of effective and efficient audits</b></p>	<p><b>We understand that how an audit is conducted is as important as the final result.</b></p> <p>A code of conduct, audit delivery tools, and internal policies and procedures that help ensure the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and our standards of quality</p>	
<p><b>Commitment to continuous improvement</b></p>	<p><b>Comprehensive and effective monitoring</b></p> <p>We regularly solicit feedback from the audit committees of the entities we audit. Our robust internal quality review program ensures the work of each partner is reviewed every three years. Additionally, our procedures and a sample of our audits of listed entities are reviewed by the Canadian Public Accountability Board (CPAB), the independent regulator of the accountancy profession in Canada. The Public Company Accounting Oversight Board (PCAOB) in the US also conducts an annual inspection of a sample of our audits of SEC registrants. Finally, a sample of other audits and reviews is undertaken annually by the various provincial institutes in Canada. We consider the recommendations that come from these reviews and implement actions to strengthen our policies and procedures, as appropriate</p>	

### ***The regulatory landscape is changing***

Uncertain economic forecasts and a changing regulatory environment define today's world; reliable financial information and high-quality audits have never been more essential.

We believe that high quality audits contribute directly to market confidence and we share your objectives of credible and transparent financial reporting.

Our Audit Quality Framework is particularly relevant to Audit Committees, and we see our role in being transparent to you as a key mechanism to support you in the execution of your responsibilities.

### ***Our commitment to quality***

The independence, judgment and professional skepticism of your auditors add value to your financial statements, and we believe it is important to be transparent about the processes we follow to develop a KPMG audit report. We want you to have absolute confidence in us and in the quality of your audit.

Our own professional standards dictate technical requirements for reaching and communicating an audit opinion. And we live and abide by these requirements. We invest heavily in our quality, and the Audit Quality Framework helps ensure these investments are the right ones—that they help us continuously drive and maximize our quality improvements. But we feel it is also important that we communicate to you how we view and implement audit quality. The seven key drivers outlined here, combined with the commitment of each individual in KPMG, are meant to do just that.

KPMG member firms across the world use this audit quality framework to describe, focus on and enhance audit quality for the benefit of the entities we audit and in support of the efficacy of our capital markets.

It is our hope that sharing our vision of what audit quality means is a significant step in building confidence in the value of our audits.

**Audit quality is fundamental to the way we work.**

# Other current developments

## *Effective Dates for New Standards Public Sector Accounting*

This summary of recently issued Public Sector Accounting Board (PSAB) pronouncements has been prepared for information purposes only. Reference should be made to official CICA Public Sector Accounting Handbook material for the text of final PSAB pronouncements.

<b>Topic</b>	<b>Effective for</b>
<b>April 1, 2015:</b>	
<i>Financial Statement Presentation</i> , Section PS 1201	Fiscal years beginning on or after April 1, 2015 for governments only. Earlier adoption is permitted when adopting Sections PS 2601 and PS 3450. (see below for government organization applicability)
<i>Foreign Currency Translation</i> , Section PS 2601	Fiscal years beginning on or after April 1, 2015 for governments only. Earlier adoption is permitted when adopting Sections PS 1201 and PS 3450. (see below for government organization applicability)
<i>Portfolio Investments</i> , Section PS 3041	When Sections PS 1201, PS 2601 and PS 3450 are adopted. (see below for government organization applicability)
<i>Financial Instruments</i> , Section PS 3450	Fiscal years beginning on or after April 1, 2015 for governments only. Earlier adoption is permitted when adopting Sections PS 1201 and PS 2601. (see below for government organization applicability)
<b>April 1, 2014:</b>	
<i>Liability for Contaminated Sites</i> , Section PS 3260	Fiscal years beginning on or after April 1, 2014. Earlier adoption is encouraged.
<b>April 1, 2012:</b>	
<i>Financial Statement Presentation</i> , Section PS 1201	Fiscal years beginning on or after April 1, 2012 for government organizations only. Earlier adoption is permitted when adopting Sections PS 2601 and PS 3450.
<i>Foreign Currency Translation</i> , Section PS 2601	Fiscal years beginning on or after April 1, 2012 for government organizations only. Earlier adoption is permitted when adopting Sections PS 1201 and PS 3450.
<i>Portfolio Investments</i> , Section PS 3041	When Sections PS 1201, PS 2601 and PS 3450 are adopted.
<i>Government Transfers</i> , revised Section PS 3410	Fiscal years beginning on or after April 1, 2012. Earlier adoption is encouraged.
<i>Financial Instruments</i> , Section PS 3450	Fiscal years beginning on or after April 1, 2012 for government organizations only. Earlier adoption is permitted when adopting Sections PS 1201 and PS 2601.
<i>Tax Revenue</i> , Section PS 3510	Fiscal years beginning on or after April 1, 2012. Earlier adoption is encouraged.

Source: <http://www.frascanada.ca/standards-for-public-sector-entities/effective-dates-for-new-standards/public-sector-accounting/index.aspx>

# Engagement letter

## **PRIVATE & CONFIDENTIAL**

Mr. Richards Butts  
Chief Administration Officer  
Halifax Regional Municipality  
PO Box 1749  
Halifax, NS B3K 3A5

February 11, 2013

Dear Sir:

The purpose of this letter is to outline the terms of our engagement commencing for the period ending March 31, 2013 as follows:

- Audit the consolidated financial statements of Halifax Regional Municipality (“the Municipality”) (“Municipality financial statements”),
- Audit of the statement of general rate surplus/deficit (“financial information”); and,
- Audit of the financial statement of the miscellaneous trusts (“trust financial statements”) commencing for the period ending March 31, 2013.

This letter supersedes our previous letter to the Municipality dated February 28, 2011 and amended February 1, 2012. The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the “Engagement Letter”).

### **FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS**

The municipal financial statements will be prepared and presented in accordance with Canadian public sector accounting standards, the financial information will be prepared and presented in accordance with the basis of accounting described in the notes to the financial information and the trust financial statements will be prepared in accordance with generally accepted accounting principles for not-for-profit organizations (hereinafter referred to as the “financial reporting frameworks”).

The Municipal financial statements, financial information and trust financial statements (collectively “the financial statements”) will include an adequate description of the financial reporting framework.

## **MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

Management acknowledges and understands that they are responsible for:

- the preparation of the financial statements in accordance with the financial reporting frameworks referred to above;
- ensuring that all transactions have been recorded and are reflected in the financial statements;
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud;
- providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing us with additional information that we may request from management for the purpose of the audit;
- providing us with unrestricted access to persons within the Municipality from whom we determine it necessary to obtain audit evidence; and,
- providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion .

An audit does not relieve management or those charged with governance of their responsibilities.

## **AUDITORS' RESPONSIBILITIES REGARDING THE AUDIT OF THE FINANCIAL STATEMENTS**

Our function as auditors of the Municipality is:

- to express an opinion on whether the Municipality's financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting frameworks referred to above; and,
- to report on the financial statements.

We will conduct the audit of the Municipality's financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Municipality and its environment, including the Municipality's internal controls. In making those risk assessments, we consider internal controls relevant to the Municipality's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal controls;

- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks;
- form an opinion on the Municipality's financial statements based on conclusions drawn from the audit evidence obtained; and,
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the Council.

**AUDITORS' DELIVERABLES**

The expected form and content of our audit reports is provided in Appendix B. However, there may be circumstances in which a report may differ from its expected form and content.

**FEEES**

Appendix A to this letter lists our fees for professional services to be performed under this Engagement Letter.

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We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to provide you with the services outlined above and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements and terms are acceptable, please sign the duplicate of this letter in the space provided and return it to us.

Yours very truly,

**Carey Blair**

Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body

**(902) 492-6029**

Enclosure

cc: Council

\*\*\*\*\*

The terms of the engagement set out are as agreed:

Name and Title \_\_\_\_\_

Date (dd/mm/yy) \_\_\_\_\_

Name and Title \_\_\_\_\_

Date (dd/mm/yy) \_\_\_\_\_



**Appendix A – Fees for professional services**

The Municipality and KPMG agree to a fee based on actual hours incurred at mutually agreed-upon rates. The fee is as follows for the next 5 years

2012/13	\$73,500
2013/14	\$75,700
2014/15	\$78,000
2015/16	\$80,300
2016/17	\$82,750

In the event professional standards or accounting standards change and as a result change the scope of our audits, we will agree our revised estimated fees with the Entity before we commence the delivery of any service.

**Appendix B – Expected Form of Report**  
**INDEPENDENT AUDITORS' REPORT**

To the Mayor and the Councillors of the Halifax Regional Municipality

We have audited the accompanying consolidated financial statements of the Halifax Regional Municipality, which comprise the consolidated statement of financial position as at March 31, 2013, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Municipality's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Halifax Regional Municipality as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

## **Appendix C – Matters to communicate**

Matters required to be communicated under professional standards to the appropriate level of management include:

### ***Engagement partner***

- identity and role of the engagement partner.

### ***Fraud and non-compliance with laws and regulations***

- any identified fraud or any information obtained that indicates that a fraud may exist.
- any identified non-compliance with laws or regulations or suspected non-compliance, including illegal acts.

### ***Control deficiencies***

- any significant deficiencies in the Municipality's internal control that we intend to communicate to those charged with governance unless it would be inappropriate to communicate directly to management in the circumstances.
- other deficiencies in internal control that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

### ***Misstatements***

- any accumulated misstatements, other than those that are clearly trivial. Furthermore, we request that management correct all misstatements communicated.

## **Appendix C – Matters to communicate (continued)**

Matters required to be communicated, on a timely basis, under professional standards to those charged with governance include:

### ***Engagement partner***

- identity and role of the engagement partner.

### ***Audit approach***

- an overview of the planned scope and timing of the audit.

### ***Fraud and non-compliance with laws and regulations***

- any identified fraud or suspected fraud that may exist involving management, employees who have significant roles in internal control, or others where the fraud results in a material misstatement in the financial statements.
- any matters related to fraud that are, in our judgment, relevant to your responsibilities.
- any identified non-compliance with laws or regulations or suspected non-compliance, including illegal acts, other than when the identified or suspected non-compliance or illegal act is clearly inconsequential.

### ***Control deficiencies***

- any significant deficiencies, in writing, in the Municipality's internal control.

### ***Misstatements***

- any accumulated uncorrected misstatements (amounts or disclosures) other than those that are clearly trivial, including the effect of uncorrected misstatements related to prior periods. Furthermore, we request all uncorrected misstatements be corrected.

### ***Accounting practices***

- our views about significant qualitative aspects of the accounting practices including accounting policies, accounting estimates and financial statement disclosures.

### ***Significant difficulties***

- any significant difficulties that we encountered during the audit. For example, if we conclude that management's refusal to allow us to send a confirmation request is unreasonable or when we are unable to obtain relevant and reliable audit evidence from alternative audit procedures.

### ***Significant matters***

- significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management (e.g. management's consultation with other accountants, major issues discussed with management prior to retention or any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or report thereon), including when group management refuses to communicate to component management matters that are significant to the financial statements of the component.

- other significant matters arising from the audit, if any, that, in our professional judgment, are significant to the oversight of the financial reporting process, including those significant matters arising from the audit in connection with the Municipality's related parties.
- instances where our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.
- any limitations on the group audit, for example, where our access to information may have been restricted.

***Management representations and other written communications***

- copies of written representations requested from management.

***Going concern***

- events or conditions identified that may cast significant doubt on the Municipality's ability to continue as a going concern.

***Reporting***

- any expected modifications to the audit report and the circumstances that led to the modification.
- any expected emphasis of matter or other matter paragraphs in the audit report and the circumstances that led to the additional paragraphs.
- management refuses to remove a scope limitation in the audit.

***Other information***

- our responsibilities with respect to other information in documents containing audited financial statements.
- any revision necessary to, or material misstatement of fact included in, financial and non-financial information which is included, either by law, regulation or custom, in a document containing the audited financial statements and our audit report thereon (“other information”) that we identified when reading such information, which management refuses to correct.

Note: Significant findings from the audit will be communicated in writing if, in our professional judgment, oral communication would not be adequate.

### **Appendix C – Matters to communicate (continued)**

Matters required to be communicated under professional standards to the board of directors include:

#### ***Fraud and non-compliance with laws and regulations***

- any identified non-compliance with laws or regulations or suspected non-compliance where we suspect that management or those charged with governance are involved.

The Terms and Conditions are an integral part of the accompanying engagement letter from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). The Engagement Letter supersedes all written or oral representations on this matter.

#### **1. SEVERABILITY.**

If any of the provisions of this Engagement Letter are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.

#### **2. GOVERNING LAW.**

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law) and all disputes arising hereunder or related thereto shall be subject to the exclusive jurisdiction of the courts of such province of Canada.

#### **3. LLP STATUS.**

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

#### **4. DOCUMENTS AND INFORMATION.**

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. KPMG shall be entitled to share all information provided by the Municipality with all other member firms of KPMG International Cooperative ("KPMG International") performing services hereunder. All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG.

#### **5. INTENTIONALLY DELETED.**

#### **6. PERSONAL INFORMATION CONSENTS AND NOTICES.**

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at [www.kpmg.ca](http://www.kpmg.ca). KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.

The Municipality represents and warrants that it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement. The Municipality and KPMG agree that no processing of such personal information will occur outside of Canada. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

The Municipality consents to KPMG sending to the Municipality, its officers, directors and employees, as applicable, electronic messages (including emails) relating to KPMG products and services and other matters of interest to the Municipality. The Municipality, its officers, directors or employees may withdraw such consent by contacting KPMG's National Office located at Bay Adelaide Centre, 333 Bay Street, Suite 4600, Toronto, Ontario M5H 2S5, [Attention:Unsubscribe; or info@kpmg.ca](mailto:Attention:Unsubscribe; or info@kpmg.ca).

#### **7. OFFERS OF EMPLOYMENT.**

In order to allow issues of independence to be addressed, management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

#### **8. OFFERING DOCUMENTS.**

If the Municipality wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the

Municipality wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

#### **9. FEE AND OTHER ARRANGEMENTS.**

KPMG's estimated fee is based on the quality of the Municipality's accounting records, the agreed-upon level of preparation and assistance from the Municipality's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Municipality's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Municipality on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Municipality and KPMG agree to revise the estimated fee. No significant additional work will proceed without management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Municipality any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Routine administrative expenses such as long distance telephone calls, photocopies, fax charges, printing of statements and reports, postage and delivery and secretarial and report department assistance are included in our fees. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this engagement letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Municipality based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Municipality's premises, the Municipality will take all reasonable precautions for the safety of KPMG partners and employees at the Municipality's premises.

#### **10. LEGAL PROCESSES.**

The Municipality on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including working papers and other work-product relating to the affairs of the Municipality, its subsidiaries and affiliates. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Municipality, KPMG will advise the Municipality of the request or order. The Municipality hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Municipality, its subsidiaries and affiliates.

When such an authority requests access to KPMG's working papers and other work-product relating to the Municipality's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Municipality has expressly informed KPMG at the time of delivery that the Municipality asserts privilege, except where disclosure of documents is required by law. The Municipality must mark any document over which it asserts privilege as "privileged". If and only if the authority requires such access to privileged documents pursuant to the laws of a jurisdiction in which express consent is required for such disclosure, then the Municipality hereby provides its consent.

Where privileged Municipality documents are disclosed, KPMG is directed to advise the authority that the Municipality is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Municipality does not intend to waive privilege for any other purpose and that the Municipality

expects its documents to be held by the authority as privileged and confidential material (held securely, limited distribution, etc.). For greater certainty, the Municipality and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Municipality expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Municipality agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees subject to consultation with the Municipality prior to incurring such fees, in dealing with the matters described above.

**11. KPMG INTERNATIONAL MEMBER FIRMS.**

The Municipality agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International Cooperative ("KPMG International") member firms participating in this engagement or such third party service providers referred to in Section 5 above.

**12. CONNECTING TO THE MUNICIPALITY'S IT NETWORK.**

KPMG personnel are authorized to connect their computers to the Municipality's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Municipality's IT Network or the Internet via the Network, while at the Municipality's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

**13. DELIVERABLES OR COMMUNICATIONS.**

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such deliverables or communications may not be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or opinion prepared by us on the interim financial statements and such communication, report, statement or opinion may not be included in, summarized in, quoted from or otherwise used in any document or public oral statement.

**14. ALTERNATIVE DISPUTE RESOLUTION.**

The parties hereby agree that they will first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the dispute. In the event that the parties are unable to settle or resolve their dispute through negotiation within 30 days of the dispute first arising or such longer period as the parties may mutually agree upon, such dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. All disputes remaining unsettled for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be subject to arbitration pursuant to the National Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules"). Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision. The parties hereby waive any such right of appeal which may otherwise be provided for in any provincial arbitration statute made applicable under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.



## REVIEW ENGAGEMENT REPORT

To His Worship the Mayor and Members of Council of the Halifax Regional Municipality

We have reviewed the statement of financial position of The Sackville Sports Stadium (the "Stadium") as at March 31, 2013 and the statement of operations, statement of changes in net deficit and cash flows for the years ended March 31, 2013. Our reviews were made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Stadium.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our reviews, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

***DRAFT***

Chartered Accountants

June XX, 2013

Halifax, Canada